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Message Text

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E.O. 11652: GDS
TAGS: OVIP (TRUDEAU, PIERRE E.), CA
SUBJ: CONVERSATION WITH TRUDEAU

1. SUMMARY. IN LONG TALK AUGUST 6 GIVEN OVER TO PHILOSOPHY, TRUDEAU EXPRESSED THREE FUNDAMENTAL PREOCCUPATIONS:

(A) THAT THE ECONOMIC SYSTEMS OF THE INDUSTRAIL DEMOCRACIES ARE NO LONGER WORKING WELL, AND MUST BE REFORMED FUNDAMENTALLY, (B) THAT THE INDUSTRIAL DEMOCRACIES ARE LOSING THE STRUGGLE FOR THE DEVELOPING WORLD, AND (C) THAT CANADA HAS MADE NO HEADWAY DURING HIS ADMINISTRATION IN SOVLING THE FRENCH/ENGLISH SPLIT. ALL OF THESE VIEWS HE HAS STATED VARIOUSLY AND OFTEN BEFORE, BUT I WAS STRUCK BY HIS CONVICTION AND BY HIS ACCEPTANCE OF THE POLITICAL COSTS OF ASSERTING THEM. REFERRING FREQUENTLY TO CLUB OF ROME THINKING ON THE NEED FOR NEW POLITICAL AND MORAL APPROACHES TO ECONOMIES (ALTHOUGH EXPLICITLY DISAVOWING LIMITS TO GROWTH), TRUDEAU BRUSHED ASIDE ANY SUGGESTION OF ALTERING HIS TACTICS IN ORDER TO POSITION HIMSELF BETTER FOR THE COMING ELECTION STRUGGLE. HE EXPRESSED AMAZEMENT FOR THE GOOD ECONOMIC PERFORMANCE IN THE US THIS YEAR, AND ACKNOWLEDGED THAT HIS OWN POLICIES HAD ALIENATED BOTH LABOR AND MANAGEMENT, BUT SAID HE WILL PERSIST. I SEE NO REASON
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TO DOUBT IT. END SUMMARY.

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2. HAD THE TRUDEAUS OVER TO DINNER ALONE AUGUST 6. IT WAS PRIMARILY A SOCIAL OCCASION BUT TRUDEAU HAD JUST COME FROM DISAPPOINTING EFFORT TO ASSOCIATE LABOR IN A TRIPARTITE POST-CONTROLS POLICY BODY (OTTAWA 3185), AND KNEW HE WOULD FACE A ONE-DAY NATIONWIDE WORK STOPPAGE THIS FALL. HE WANTED TO TALK ECONOMIC PHILOSOPHY.

3. THE GREAT INFLATION AND THE "GREAT WASTEFULNESS" OF THE SEVENTIES SHOWS THAT SOMETHING IS FUNDAMENTALLY WRONG, TRUDEAU ARGUED. THE MARKET SYSTEM, INTENDED TO MEDIATE GREED FOR SOCIAL BENEFIT, IS INSTEAD BEING DOMINATED BY IT, WITH EACH GROUP VYING TO OUTGRAB THEOTHERS. A NEW SOCIAL CONTRACT IS NEEDED. CANADA'S WAGE-PRICE CONTROLS ARE THE FIRST STEP OF AN INTEGRATIVE PROCESS INTENDED TO ESTABLISH IT. THE SECOND STOP WOULD BE THE POST-CONTROLS BUSINESS/LABOR/GOVERNMENT STRUCTURE TRUDEAU IS PROMOTING. THE STRUCTURE WILL KEEP EVOLVING IN THE FUTURE.

4. I OBSERVED THAT WHAT APPEARS TO ACCOUNT FOR THE ALL-OUT OPPOSITION OF LABOR AND INCREASINGLY OF BUSINESS TO TRUDEAU'S PROGRAM IS THE CONCEPT OF PERMANENTLY PREEMPTING COLLECTIVE BARGAINING AND THE MARKET SYSTEM. A TEMPORARY SYSTEM WOULD BE MUCH EASIER TO SELL. TRUDEAU AGREED BUT SAID THAT THERE'S NO POINT IN TRYING TO BE PRIME MINISTER IF YOU DON'T PUT TO SOCIETY REALISTICALLY WHAT IT NEEDS TO DO TO SUCCEED.

5. TRUDEAU ACKNOWLEDGED THAT MANY OF HIS COLLEAGUES AT THE PUERTO RICO SUMMIT THOUGHT THE 1973-74 INFLATION EXCEPTIONAL, DUE TO SIMULTANEOUS PEAKING OF ALL THE INDUSTRAIL ECONOMIES AND THE OIL PRICE HIKE. HE ADMITTED ALSO THAT "AMAZING" US ECONOMIC RESULTS THIS YEAR DON'T FIT HIS THEORY; US AND CANADIAN BUDGET DEFICITS ARE THE SAME SIZE RELATIVE TO THE ECONOMY, BUT AMERICAN PRICE/WAGE AND GROWTH PERFORMANCE IS BETTER THAN CANADA'S, AND GROWTH OF MONEY SUPPLY IN THE US SUBSTANTIALLY LESS. "YOU AMERICANS HAVE LEARNED SOMETHING, SOME RESTRAINT AND MUTUAL TOLERANCE, THAT WE CANADIANS HAVE YET TO

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GRASP," TRUDEAU SAID. HE SPECULATED IT MAY HAVE BEEN DUE TO OUR EARLIER EXPERIENCE WITH CONTROLS, AND THE SHARPER IMPACT OF THE RECESSION.

6. TRUDEAU ALSO ACKNOWLEDGED THAT FIRST YEAR WAGE SETTLE-MENTS IN CANADA HAVE BEEN COMING DOWN, FROM OVER 16 PERCENT IN THE SECOND QUARTER OF 1975 TO LESS THAN 12 PERCENT IN THE SECOND QUARTER OF 1976.

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7. BUT NEITHER THE SLOWDOWN IN CANADA NOR THE GOOD US PERFORMANCE COMFORTED HIM. "CANADA WILL GET FIRST YEAR WAGE SETTLEMENTS DOWN TO EIGHT PERCENT IN 1977, AND THEN THEY'LL START GOING UP AGAIN." THE US, HE PREDICTED, WILL ALSO RUN INTO TRUBLE, WITH SETTLEMENT MOVING INTO DOUBLE-DIGIT FIGURES BY END 1976. AND YET, TRUDEAU CONCLUDED, EVEN THEN THE UNITED STATES MAY NOT FOLLOW HIM INTO CONTROLS: "THE UNITED STATES IS AN AMAZING COUNTRY, RESILIENT AND ADAPTABLE FAR BEYOND CANADA. THERE IS A DYNAMIC TO YOUR COUNTRY I DO NOT UNDERSTAND."

8. IN THE DEVELOPING WORLD, TRUDEAU SAID, THE INDUSTRIAL DEMOCRACIES ARE STEADILY LOSING GROUND. "SOON WE WILL BE UNDER SIEGE IN A WORLD THAT ONLY A GENERATION AGO WE HOPED TO CONVERT TO OUR SYSTEM." BUT TRUDEAU WAS NOT SURE OF HOW TO REMEDY IT. WE SHOULD, HE SAID, BE FAR MORE RESPONSIVE, GENEROUS TO LDC DEMANDS. BUT HE AGREED WITH MY ARGUEMTNS THAT MANY OF THE DEMANDS (COMMODITY PRICE INDEXING, INDISCRIMINATE DEBT RELIEF, FOR EXAMPLE) COULD IF MET DAMAGE THE LDC'S AS A WHILE FAR MORE THAN THEY HELPED THEM. COMING TO CLUB OF ROME ARGUEMTNS, TRUDEAU SAID THAT THE ONLY REMEDY FOR THE SECULAR DECLINE IN LDC TERMS OF TRADE IS FOR INDUSTRIAL COUNTRIES TO SHARE MARKETS WITH THEM, CURBING OUR OWN PRODUCTION IN AGRICULTURE FOR EXAMPLE TO ALLOW LDC'S TO INCREASE THEIR EXPORTS.

9. I REMARKED THAT REPEATED STUDIES RUN IN WASHINGTON FAILED TO TURN UP EVIDENCE OF A SECULAR DECLINE IN LDC TERMS OF TRADE, ALTHOUGH THERE WERE MARKED FLUCTUATIONS DURING THE BUSINESS CYCLE. TRUDEAU SAID HE WOULD LIKE TO SEE THE EVIDENCE (WHICH I PROMISED TO

PROVIDE). IF IT HOLDS UP, HE WILL USE IT WITH NYERERE, MANLEY, BURNHAM AND OTHER THIRD WORLD LEADERS HE SEES OFTEN.

10. TRUDEAU AGREED THAT FAR MORE THAN TRADE THE CRUCIAL ELEMENT IN LDC GROWTH WAS WHAT WAS DONE IN THE DOMESTIC ECONOMY, ESPECIALLY IN AGRICULTURE.

11. COMING BACK TO THE U.S. AND CANADA, TRUDEAU AGREED WITH MY REMARK THAT THE U.S. IS ENTERING A PERIOD OF NEW STRENGTH, WITH FAR FEWER INTERNAL DIVISIONS THAN AT ANY POINT IN A GENERATION. "THE STATES HAS DONE A REMARKABLE JOB WITH ITS BLACK PROBLEM," HE SAID. "EVERY TIME I TURN ON TELEVISION I SEE NEW EVIDENCE OF THE REVOLUTION IN THE STATUS OF BLACKS."

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12. IN CONTRAST, TRUDEAU SAID, NOTHING HAD BEEN ACCOMPLISHED IN THE FRENCH/BRITISH SPLIT IN CANADA UNDER HIS LEADERSHIP. THIS FAILURE IS NOT DUE ONLY OR MAINLY TO THE FACT THAT THE PROBLEM IS TERRITORIAL AS WELL AS LINGUISTIC AND "RACIAL." THE CAUSE, TRUDEAU SAID, WAS THAT IN CONTRAST TO AMERICAN CANADIANS BOTH FRENCH AND ENGLISH DO NOT ACCEPT THAT THEY ARE CONDEMNED TO LIVE TOGETHER. "IN THEIR HEARTS, EACH BELIEVES THERE IS ANOTHER OPTION. I HAVE NOT BEEN ABLE TO BREAK THAT."

13. COMMENT: THE CONVERSATION IS CHARACTERISTIC OF TRUDEAU'S CURRENT MOOD: IDEALISTIC, SOMEWHAT SPENGLERIAN, RATHER TESTILY MORALISTIC, CONVINCED OF HIS VISION BUT TRYING TO GOVERN BY FIAT RATHER THAN WITH HIS VERY CONSIDERABLE POWERS AS A PRACTICAL POLITICIAN.

14. SUBSEQUENT TO OUR TALK I SPENT THE WEEKEND IN QUEBEC WITH TREASURY BOARD CHAIRMAN AND TRUDEAU CONFIDENT JEAN CHRETIEN, WHO CONFIRMED THE PICTURE BY SAYING THAT THE PRIME MINISTER'S CURRENT THINKING IS TO MAKE ONLY SMALL CHANGES IN CABINET PERSONNEL AND POLICY THIS FALL, NO MATTER HOW FAR DOWN THE LIBERALS APPEAR IN THE POLLS. OBVIOUSLY, CHRETIEN ADDED, AT
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SOME POINT TRUDEAU WILL HAVE TO GET IN FIGHTING FORM FOR THE NEXT ELECTION; BUT NOT NOW.

15. MARGRARET TRUDEAU PROVIDED AN INTERESTING COUNTERPOINT AT DINNER. DESCRIBING HERSELF AS A "ROMANTIC, OPPOSED TO ALL MANIPULATION," SHE URGED HER HUSBAND TO GET OUT OF POLITICS. HIS RESPONSE WAS: "WHAT, AND LEAVE MACKENZIE'S RECORD STANDING?" (MACKENZIE KING WAS PM FOR 22 YEARS). MARGARET MADE RATHER A POINT ABOUT HER DISTASTE FOR FRENCH, WHICH SHE HAS STUDIED FOR FIVE YEARS BUT WHOSE USE "WOULD HAVE RUINED THE EVENING."
ENDERS

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